

[REDACTED]

CERTIFIED MAIL

[REDACTED]

DEC 5 1989

Dear Sir or Madam:

We have considered your application for recognition of exemption from Federal income tax under section 501(c)(9) of the Internal Revenue Code.

The information submitted indicates that you were incorporated on [REDACTED], under the General Corporation Law of [REDACTED].

Your stated purpose is to provide management services for the Hospitality Industry. Management services are provided under a contractual arrangement made between [REDACTED] and the owners of the hotels.

You are not a membership organization.

Income is derived from fees charged for your managerial services and interest. You are also authorized to issue [REDACTED] shares of stock, of which [REDACTED] shares have been issued and are outstanding. Neither your Articles of Incorporation nor By-laws preclude the payment of dividends to shareholders.

Section 501(c)(9) of the Internal Revenue Code exempts from Federal income tax voluntary employees beneficiary associations providing for the payment of life, sick, accident, or other benefits to the members of such association or their dependents, if no part of the net earnings of such association inures (other than through such payments) to the benefit of any private shareholder.

Section 1.501(c)(9)-(1) of the Income Tax Regulations states for an organization to be described in section 501(c)(9), it must meet all of the following requirements:

- (a) The organization is an employees association;
- (b) Membership in the association is voluntary;
- (c) The organization provides for the payment of life, sick, accident, or other benefits to its members or their dependents or designated

beneficiaries, and substantially all of its operations are in furtherance of providing such benefits; and

- (d) No part of the net earnings of the organization inures, other than by payment of benefits referred to in paragraph (c) of this section, to the benefit of any private shareholder or individual.

Section 1.501(c)(9)-2(c)(1) of the Income Tax Regulation further states that there must be an entity, such as a corporation or trust established under applicable local law, having an existence independent of the member-employees or their employer.

Your organization is not an association of employees. Employees are not members. There are no objective standards or requirements for membership, because your organization is not a membership organization.

The primary purpose for which you were organized is to provide managerial services to various hotels, so that they may maximize market share and rates. Although you provide employee welfare benefits, you are the employer, and there is no evidence of an independent existence of the welfare benefits as a voluntary employee beneficiary association as required by Income Tax Regulation 1.501(c)(9)-2(c)(1).

Dividends may be declared and paid to shareholders. Shareholders would share in the distribution of assets upon dissolution. Such payments, if made, would constitute inurement to shareholders.

Based on the information submitted, exempt status will not be recognized under Internal Revenue Code section 501(c)(9).

Until you have established an tax exempt status, you are not relieved of the requirements for filing Federal income tax returns on Form 1120.

If a separate entity is created for administration of the welfare benefits under a separate written plan, the entity created for this purpose should apply within 15 months following the month of formation. This does not imply any particular advantage to such separation.

If you do not accept our findings, we recommend that you request a conference with a member of our Regional Office of Appeals. Your request for a conference should include a written appeal giving the facts, law and any other information to support your position as explained in the enclosed

Publication 892. You will then be contacted to arrange a date for a conference. The conference may be held at the Regional Office or, if you request, at any mutually convenient District Office. If we do not hear from you within 30 days of the date of this letter, this determination will become final.

Sincerely yours,

  
District Director

Enclosure: Publication 892